

February 2, 1998

Clinton Breaks Budget Deal and His Word

His Latest Budget Includes Billions in New Spending, New Taxes

With President Clinton, one constant the American people can count on is more federal spending. Recall 1993 and his multi-billion dollar “economic stimulus package,” justified as an economy-booster, that was in fact so replete with Washington “pork” that even the liberals then controlling Congress rejected it. Now five years later, with the economy performing well, President Clinton is still at it. The justification may change but the remedy remains the same: more federal spending.

President Clinton’s \$1.733 trillion FY99 budget includes billions in carefully hidden new spending, billions in new taxes to pay for it, and a plethora of new gimmicks to hide it. On both spending and taxes, it violates the budget agreement reached with Congress last year and thereby breaks the promise he made with the American people.

The Hidden Spending

- Clinton’s budget claims \$380 billion over five years for his “Funds for America” spending proposal. Although most of this — 85 percent — is simply transfers from other programs, the Clinton budget contains new spending as well.
- According to the Senate Budget Committee, Clinton’s budget contains \$150 billion in new federal programs.
- Clinton’s budget directly breaks last year’s agreement for so-called discretionary spending by adding \$51.5 billion to this category.
- It breaks the agreement in two ways: it implicitly raises \$10.2 billion in new user fees that hide new spending; and it explicitly breaches the discretionary spending caps by \$41.3 billion between FYs 1999-02. Furthermore, it uses new taxes to increase this spending — a practice that violates both the budget agreement and the Budget Act.

Blatant Taxes

- The Clinton budget claims \$105.6 billion in receipt-increasing proposals over the next five years. In addition, it claims \$16.6 billion in increased user fees. Together, these amount to \$122.2 billion in new taxes and user fees in the budget.

- However, it returns only \$24.2 billion in tax reductions — and even this pittance is not a simple tax reduction, but is intended to encourage specific behavior.
- The Clinton budget's net effect is a \$98 billion tax hike over the next five years — fully erasing the 5-year \$85 billion tax cut in last year's Taxpayer Relief Act.
- According to the Senate Budget Committee, Clinton's hike would raise federal taxes to the highest level since 1945 — 20.1 percent of GDP.

The Obvious Gimmicks

- Clinton's budget anticipates \$65.5 billion in revenue from tobacco taxes and \$10 billion in FY99 alone. Yet the White House has refused to produce legislation that would realize this revenue and has taken no serious role in putting together such legislation with Congress. Mississippi Attorney General Michael Moore, the leader of the states' attorneys general who reached the landmark settlement with the tobacco companies, last week chastised the Administration's refusal to get involved saying a tobacco bill "won't happen" without their involvement.
- Clinton's budget proposes allowing certain seniors between the ages of 55 and 64 to join Medicare. Despite the fact that this is the largest eligibility expansion in the program's history, the budget includes no cost for this initiative. Virtually no analysts outside the White House accept this optimistic assumption.
- Clinton's budget proposes a "\$6.3 billion package of tax incentives and research spending" as a response to "the historic agreement in December 1997 to reduce greenhouse gas emissions." However, the Administration has expressed its intention to not seek prompt ratification of this treaty by the Senate because of its lack of support.
- Clinton's budget proposes raising \$3.6 billion from reinstating the Superfund excise taxes. However, Superfund taxes expired because the program was in total disarray. Reform of this program has still not taken place and once again, the Administration has made no effort to do so itself.

Breaking His Word to Congress and the Country

Over the next five years, Clinton's budget includes new spending that breaks the 1997 budget-agreement's limits on federal spending and a tax hike that erases last year's tax cut. Last year's balanced budget agreement was more than simple legislation, it was a promise to the American people that they would no longer have to tolerate the crushing deficits, the uncontrolled spending, and the unconscionable taxes of the past. Congress and, finally after years of opposing it, President Clinton agreed to this. By choosing to break his agreement, Clinton breaks his word, not only to Congress, but to the country as a whole. It is imperative, for the sake of the economy, that Congress keep its word and that it hold the President to his.

Staff Contact: Dr. J.T. Young, 224-2946